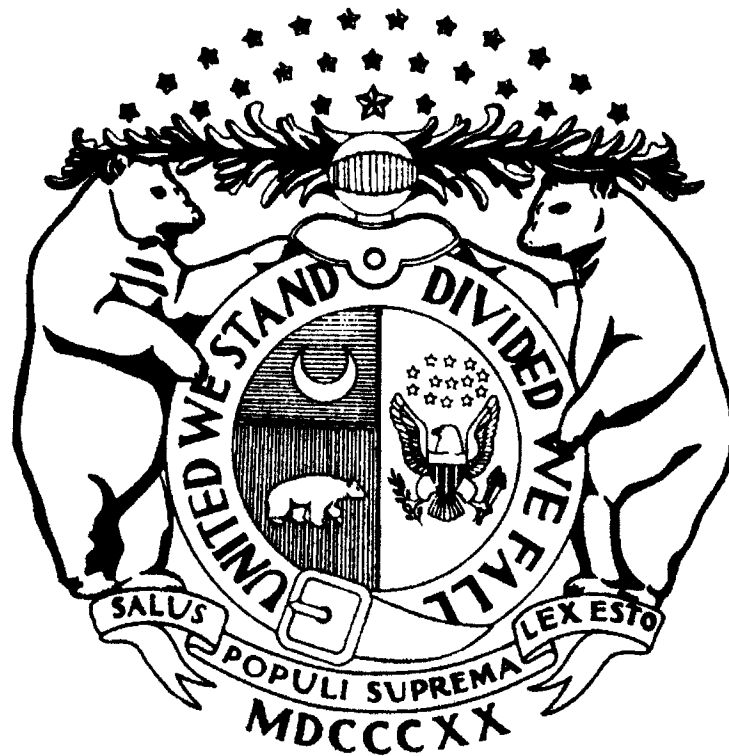


REPORT OF
ASSOCIATION FINANCIAL EXAMINATION

**CAMERON NATIONAL INSURANCE
COMPANY**

AS OF
DECEMBER 31, 2004



STATE OF MISSOURI
DEPARTMENT OF INSURANCE
JEFFERSON CITY, MISSOURI

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Cameron, Missouri
July 15, 2005

Honorable Alfred W. Gross, Commissioner
Virginia Bureau of Insurance
Chairman of Financial Condition (EX4) Subcommittee
Southeastern Zone Secretary

Honorable Jorge Gomez, Commissioner
Wisconsin Department of Insurance
Midwestern Zone Secretary

Honorable W. Dale Finke, Director
Missouri Department of Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65102-0690

Gentlemen:

In accordance with your financial examination warrant, a full scope association financial examination has been made of the records, affairs and financial condition of

Cameron National Insurance Company

hereinafter referred to as such, as the "Company," or as "Cameron National" Its administrative office is located at 214 McElwain Drive, Cameron, Missouri, 64429, telephone number (816) 632-6511. This examination began on March 7, 2005, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The prior full scope association financial examination of Cameron National Insurance Company was made as of December 31, 2001, and was conducted by examiners from the State of Missouri, representing the Midwestern Zone of the National Association of Insurance Commissioners (NAIC), with no other zone participating.

The current full scope association financial examination covered the period from January 1, 2002, through December 31, 2004, and was conducted by examiners from the State of Missouri, representing the Midwestern Zone of the NAIC, with no other zone participating.

This examination was conducted concurrently with the examination of the Company's parent and sole shareholder, Cameron Mutual Insurance Company (Cameron Mutual).

This examination also included the material transactions and/or events occurring subsequent to the examination date, which are noted in this report.

Procedures

This examination was conducted using the guidelines set forth in the Financial Condition Examiners Handbook of the NAIC, except where practices, procedures and applicable regulations of the Missouri Department of Insurance and statutes of the State of Missouri prevailed.

The examiners reviewed the work of the Company's independent auditor, Clifton Gunderson LLP, of Des Moines, Iowa, for its audit covering the period from January 1,

2003, through December 31, 2003. Due to differences in timing (note that the fieldwork phase of this examination was already in progress before the Company's independent auditors began the 2004 audit), only minimal use was made of the work of the independent auditors.

Comments-Previous Examination

The comments, recommendations, and notes of the previous financial examination report dated as of December 31, 2001, are listed below with the subsequent response or action taken by the Company in regard to such comments, recommendations, and notes:

Management

Comment: The Company was directed to ensure that those individuals elected by the Board of Directors fill only those positions identified by the Bylaws of the Company and those positions deemed necessary by the board of directors or amend its Bylaws to reflect actual practice.

Company's Response: The Company filled the position of Executive Vice President to comply with the provisions of the Bylaws.

Current Findings: The current management structure is consistent with the underlying requirements.

Intercompany Transactions

Comment: The Company was directed to ensure that all intercompany agreements were properly filed in accordance with Section 382.195 RSMo (Transactions within a holding company system). The Company was also advised to refrain from operating under any intercompany agreements without first obtaining prior approval of the MDI.

Company's Response: The Company responded that all intercompany agreements have been filed with the MDI.

Current Findings: The agreements in effect as of December 31, 2004, were properly approved by the MDI.

HISTORY

General

Cameron National Insurance Company was originally incorporated on February 14, 1983, under the laws of the state of Iowa as Eagle National Assurance Corporation (Eagle National). Cameron Mutual acquired Eagle National in 1989 and capitalized it with \$2,000,000 and \$3,479,290 in contributed surplus. Starting in 1997, all lines of business were non-renewed and were placed into run-off. By year-end 1998, there was no business left on the books.

In August 2000, Eagle National was issued a certificate of authority to conduct business in the state of Missouri. On December 8, 2000, Eagle National re-domesticated from Iowa to the state of Missouri. On December 11, 2000, Eagle National began operating as a stock casualty insurance company under the laws of Missouri at Chapter 379 RSMo (Insurance Other than life) and the name was changed to Cameron National Insurance Company.

Capital Stock

As of December 31, 2004, the Company had authority to issue 15,000 shares of common stock with a par value of \$100 per share. There were 14,200 shares issued and outstanding for a balance of \$1,420,000 in the capital account. All of the outstanding shares of Cameron National are owned by Cameron Mutual Insurance Company, a Missouri-domiciled insurance company.

Dividends

No dividends were paid during the period under examination.

Management

As of December 31, 2004, nine directors were serving on the board as follows:

<u>Name</u>	<u>Address</u>	<u>Occupation and Business Affiliation</u>
Gary W. Black	Trenton, MO	Owner and Agent Robbins & Black Agency
Gayle W. Cobb	Clever, MO	Agent Fortner Insurance Services, Inc.
Darwin G. Copeman	Cameron, MO	President & Chief Executive Officer Cameron Mutual Insurance Company
Lewis R. Crist	Grover, MO	Consultant Crist & Associates
J. Wayne Gaines	Versailles, KY	Retired Branch Manager Kemper St. Louis
Donald D. Johnson	Mound City, MO	Agent, Secretary and Treasurer Farmers Mutual
Doyle W. Nimmo	Buffalo, MO	President and Agent Nimmo Insurance Agency
Charles R. Ocker	Cameron, MO	Owner and Agent Ocker Insurance Inc.
William R. Settles	Dexter, MO	President County Wide Insurance & Real Estate, Inc.

Section 26 of the Company's Bylaws provide that only the board of directors may appoint an executive committee and other advisory committees for the purpose of addressing special concerns and affairs of the Company. The established committees and the members elected and serving as of December 31, 2004, were as follows:

Executive Committee

Darwin Copeman, Chairman
Gary Black
Lewis Crist
Doyle Nimmo

Governance Committee

Gayle Cobb, Chairman
Donald Johnson
William Settles
Darwin Copeman

Compensation Committee

Charles Ocker, Chairman
J. Wayne Gaines
Danny Tanzey
Darwin Copeman

Audit Committee

Lewis Crist, Chairman
Gayle Cobb
Doyle Nimmo
Darwin Copeman

Pricing Committee

William Settles, Chairman
Charles Ocker
Darwin Copeman

The officers elected and serving as of December 31, 2004, were as follows:

<u>Name</u>	<u>Office</u>
Lewis R. Crist	Chairman of the Board of Directors
Darwin G. Copeman	President and Chief Executive Officer
Kent Osborn	Treasurer
Richard J. Kline	Executive Vice President
Janet K. Stonum	Secretary

Conflict of Interest

The Company requires all directors and officers to complete conflict of interest disclosure statements annually. The statements were reviewed for the period under examination. No material conflicts were indicated.

Corporate Records

A review was made of the Articles of Incorporation and Bylaws for the examination period. Neither the Articles nor the Bylaws were amended or restated during the period under examination. The minutes associated with the annual meetings of the sole shareholder, board of directors and executive committee meetings were reviewed and appear to properly reflect and approve the corporate transactions and events for the period under examination.

Acquisitions, Mergers and Major Corporate Events

None.

AFFILIATED COMPANIES

Holding Company, Subsidiaries and Affiliates

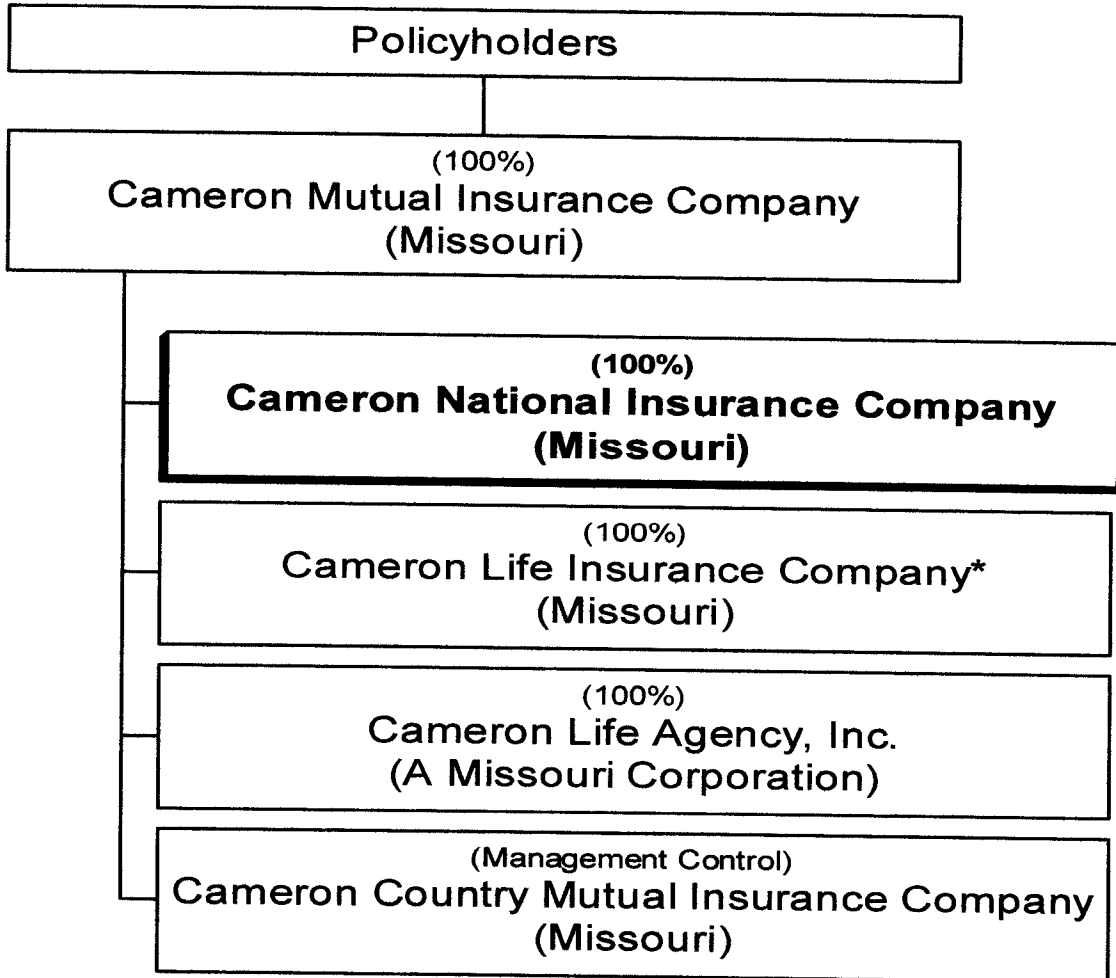
Cameron National Insurance Company is a member of an Insurance Holding Company System as defined by Section 382.010 RSMo (Definitions). The Company is wholly owned by Cameron Mutual Insurance Company (Cameron Mutual), a Missouri mutual property and casualty company, which is one hundred percent owned by its policyholders. Cameron Mutual is the ultimate controlling entity within this holding company system.

Cameron National is affiliated with Cameron Life Insurance Company (Cameron Life), a Missouri life insurance Company, and Cameron Life Agency, Inc. (Cameron Agency), a Missouri corporation, both wholly owned by Cameron Mutual. Cameron National is also affiliated with Cameron Country Mutual Insurance Company (Cameron Country), a Missouri mutual insurance company, which is controlled by Cameron Mutual, by virtue of common management and a management contract.

During the period under examination, Insurance Holding Company Registration Statements were filed by Cameron Mutual on its behalf and on behalf of all members of its holding company system.

Organizational Chart

The following organizational chart depicts the ownership and holding company structure of Cameron National, as of December 31, 2004:



*Sold to Unified Life Insurance Company, a Texas corporation effective January 3, 2005.

Intercompany Transactions

During the period under examination, the following intercompany agreements were in effect between the Company and Cameron Mutual, its parent:

1. **Type:** Contract for Services
 Parties: Cameron Mutual and Cameron National
 Effective: July 1, 2002
 Terms: Under the terms of the agreement, Cameron Mutual agrees to provide insurance, consulting, communication and miscellaneous services as well as business offices and miscellaneous supplies to Cameron National on a cost basis. Invoicing will be on a monthly or quarterly basis, depending on the type of charge, with settlement to be made within thirty days of receipt of invoice.

2. **Type:** Tax Allocation Agreement
 Parties: Cameron Mutual and Cameron National
 Effective: December 31, 2002
 Terms: Under the terms of the agreement, Cameron Mutual agrees to file annual U.S. consolidated tax returns on behalf of itself and Cameron National. Cameron Mutual and Cameron National agree to allocate their consolidated tax liability to each member in the ratio that each member's separate return tax liability for the year bears to the sum of the separate return tax liabilities of the members. A loss member is to be reimbursed by the profit member that utilizes such loss.

Effective January 3, 2005, Cameron Mutual entered into a Stock Purchase and Merger Agreement with Unified Life Insurance Company (Unified Life), a Texas life insurance company. Under the terms of the agreement, Unified Life purchased all 655,000 issued and outstanding \$1 par value shares of Cameron Life Insurance Company's common stock, for an initial settlement of \$2,365,000, plus additional settlements and adjustments scheduled to occur subsequently thereafter. Following the

occurrence of this transaction, Cameron Life ceased to be a member of the Company's holding company system.

The amounts (paid) to and received from parent and affiliates during the period under examination under the above agreements were as follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Contract for Services – Cameron Mutual	\$ (162,622)	\$ (121,457)	\$ (62,936)
Tax Allocation Agreement – Cameron Mutual	<u>(192,399)</u>	<u>(59,659)</u>	<u>(76,529)</u>
Net Amount (Paid)/Received	<u>\$ (355,021)</u>	<u>\$ (181,116)</u>	<u>\$ (139,465)</u>

The Company cedes personal automobile liability business to Cameron Mutual under an affiliated excess of loss reinsurance agreement. The terms of the agreement are described in the Reinsurance section of this report.

FIDELITY BOND AND OTHER INSURANCE

Cameron National Insurance Company is a named insured on a financial institution bond purchased by its parent, Cameron Mutual, with a liability limit of \$1,000,000 and a \$10,000 deductible. This level of coverage complies with the suggested minimum amount of fidelity insurance according to NAIC guidelines.

The Company is also a name insured under a number of other insurance policies, which include, but are not limited to, property coverage, directors and officers liability, general liability, workers compensation and umbrella liability coverage.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

Cameron National Insurance Company has no employees. Services are provided to the Company by the employees of its parent, Cameron Mutual Insurance Company, pursuant to a service agreement. The terms and provisions of the underlying service agreement are summarized in the "Intercompany Transactions" section of this report.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Missouri Department of Insurance as of December 31, 2004, as reflected below, were sufficient to meet the capital deposit requirements for the State of Missouri in accordance with Section 379.098, RSMo (Securities Deposit). The Company's required deposit for Missouri is \$1,200,000. The funds on deposit as of December 31, 2004, were as follows:

<u>Type of Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
U.S. Treasury Notes	\$1,500,000	\$1,242,195	\$1,249,239

Deposits with Other States

The Company had no funds on deposit with other states.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

Cameron National Insurance Company is licensed as a multiple-line stock property and casualty company by the Missouri Department of Insurance under Chapter 379 RSMo, (Insurance Other Than Life), to write certain lines of property and casualty insurance. As of December 31, 2004, the Company was licensed in the states of Arkansas, Iowa, Nebraska and Missouri.

The Company currently writes preferred private passenger automobile liability and automobile physical damage. The underlying policies are principally written in the state of Missouri, with Arkansas accounting for a small percentage. The Company plans to begin writing in the state of Iowa in 2006.

The Company's products are marketed by independent agents through various independent agencies. As of December 31, 2004, the Company had entered into agreements with a large individual agency force represented by approximately 200 independent agencies.

Policy Forms & Underwriting

Advertising & Sales Material

Treatment of Policyholders

The Missouri Department of Insurance has a market conduct staff, which performs a review of these issues and generates a separate market conduct report. However, the Department has not performed an examination of the Company under its current name. A cursory review was made of several market conduct related areas, no problems were noted.

REINSURANCE**General**

The Company's reinsurance and premium activity for the years ending December 31, 2004, 2003 and 2002, are detailed in the table below.

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Direct Business	\$1,709,893	\$1,088,125	\$524,602
Reinsurance Assumed:			
Affiliates	0	0	0
Non-affiliates	0	0	0
Reinsurance Ceded:			
Affiliates	(77,007)	(32,140)	(18,963)
Non-affiliates	(42,580)	(33,011)	(12,803)
Net Premiums Written	<u>\$1,590,306</u>	<u>\$1,022,974</u>	<u>\$492,836</u>

Assumed

The Company does not assume any business.

Ceded

The Company's ceded reinsurance program in place during the examination period was designed and administered by Benfield, Inc., a nationally known reinsurance intermediary.

Effective January 1, 2004, the Company entered into a personal automobile liability excess of loss contract with its parent, Cameron Mutual Insurance Company (Cameron Mutual). Under the agreement, Cameron Mutual assumes \$125,000 in excess of \$75,000 per accident. This agreement expired effective January 1, 2005. Effective January 1, 2005, the Company entered into a 100% quota share reinsurance agreement with Cameron Mutual. The terms of the agreement, which has received the approval of

the MDI, calls for Cameron National to cede 100% of its net liability under policies, contracts and binders of insurance in force at the effective date of the contract. The agreement also calls for Cameron Mutual to pay Cameron National a 26.5% ceding commission on premiums ceded.

Effective January 1, 2004, the Company entered into a multiple line excess of loss reinsurance contract. The contract covers all property, general liability, automobile liability and professional liability policies issued by Cameron National and Cameron Mutual and is underwritten 70% by GE Reinsurance Corporation (GE Re) and 30% by Platinum Underwriters Reinsurance, Inc. (Platinum Re). Under the first layer of coverage provided by the agreement, there is a \$200,000 retention and a reinsurer limit of \$300,000 per property risk or casualty occurrence, with a property occurrence limit of \$900,000. Under the second layer, the retention is \$500,000, and the reinsurer limit is \$500,000 per property risk or casualty occurrence, with a property occurrence limit of \$1,000,000. Under the third layer, the retention is \$1,000,000, and the reinsurer limit is \$1,000,000 per property risk or casualty occurrence, with a property occurrence limit of \$2,000,000. The contract terminated effective January 1, 2005, and was replaced by a new reinsurance contract effective January 1, 2005, that contained similar terms and provisions. The most significant change in the new contract was an increase in the first layer retention from \$200,000 to \$225,000.

The Company also entered into a casualty clash excess of loss contract effective January 1, 2004, which works as a fourth layer to the aforementioned multiple line excess of loss contract, but for casualty risks only. The agreement covers Cameron National, Cameron Mutual and Cameron Country, and is underwritten by GE Re and Platinum Re,

each participating at 50%. The reinsurers are liable for \$2,000,000 per occurrence in excess of a \$2,000,000 retention, with a limit of \$6,000,000 for the term of the agreement. The contract requires the reinsureds to purchase inuring facultative insurance to limit any individual casualty policy loss to \$1,000,000. The agreement terminated effective January 1, 2005, and was replaced by a new reinsurance agreement effective January 1, 2005, that contained similar terms and provisions.

Effective January 1, 2004, Cameron National, Cameron Mutual and Cameron Country entered into a property catastrophe excess of loss reinsurance contract underwritten by sixteen participating reinsurers. The contract covers all property business written by the ceding companies, and consists of three layers. Under the first layer of coverage there is a \$2,000,000 retention and reinsurer limits of 95% of \$1,500,000 per occurrence and 95% of \$3,000,000 in aggregate. The second layer includes a \$3,500,000 retention and reinsurer limits of 95% of \$6,500,000 per occurrence and 95% of \$13,000,000 in aggregate. The third layer includes a retention of \$10,000,000 and reinsurer limits of 95% of \$15,000,000 per occurrence and 95% of \$30,000,000 in aggregate. The agreement terminated effectively January 1, 2005, and was replaced by a new reinsurance agreement effective January 1, 2005, that contained similar terms and provisions. The most significant change in the new contract was an increase in the first layer retention from \$2,000,000 to \$2,250,000.

Cameron National, Cameron Mutual and Cameron Country also entered into a property catastrophe excess of loss earthquake and wind reinsurance contract effective January 1, 2004. The agreement is essentially a fourth layer to the aforementioned property catastrophe contract, but only covers the perils of wind and earthquake. The

agreement is underwritten by Renaissance Reinsurance Ltd, with a 25% participation, and a group of six Lloyd's Syndicates with a collective participation of 75%. Under the terms of the contract, the reinsurers are liable for a limit of 95% of \$15,000,000 per occurrence in excess of a \$25,000,000 retention. The reinsurers' losses are limited to 95% of \$30,000,000 for the term of the contract. The agreement terminated effectively January 1, 2005, and was replaced by a new reinsurance agreement effective January 1, 2005, that contained similar terms and provisions.

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer should fail to perform its obligations under its reinsurance agreement with the Company.

ACCOUNTS AND RECORDS

General

Financial statements of the Company for the years ending December 31, 2004, 2003, and 2002 were audited by the CPA firm Clifton Gunderson LLP of Des Moines, Iowa. Loss reserves of the Company were reviewed and certified by Alan J. Hapke, FCAS, MAAA, of Meadowbrook Insurance Group, Inc. for all years under examination.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2004. Any examination adjustments to the amount reported in the Annual Statement and/or comments regarding such are made in the "Notes to the Financial Statements." (The failure of any column of numbers to add to its respective total is due to rounding or truncation.)

There may have been differences found in the course of this examination, which are not shown in the "Notes to the Financial Statements." These differences were determined to be immaterial, concerning their effect on the financial statements. Therefore they were communicated to the Company and/or noted in the workpapers for each individual Annual Statement item.

Assets

	<u>Assets</u>	Assets Not <u>Admitted</u>	Net Admitted <u>Assets</u>
Bonds	\$4,764,085	\$0	\$4,764,085
Common Stocks	29,250		29,250
Cash and Short-term Investments	315,736		315,736
Investment Income Due and Accrued	51,987		51,987
Premiums and Considerations:			
Deferred Premiums, Agents' Balances in Course of Collection	464,008		464,008
Amounts Recoverable from Reinsurers	35,000		35,000
Net Deferred Tax Asset	<u>60,805</u>	<u>0</u>	<u>60,805</u>
TOTAL ASSETS	<u>\$5,720,871</u>	<u>\$ 0</u>	<u>\$5,720,871</u>

Liabilities, Surplus and Other Funds

Losses	\$220,044
Loss Adjustment Expenses	17,649
Commissions Payable and Contingent Commissions	91,896
Other Expenses	698
Taxes, Licenses and Fees	34,596
Current Federal Income Taxes	15,789
Unearned Premiums	871,712
Advance Premiums	22,472
Ceded Reinsurance Premiums Payable	56,320
Drafts Outstanding	60,931
Payable to Parent, Subsidiaries and Affiliates	<u>53,339</u>
Total Liabilities	\$1,445,446
Common Capital Stock	1,420,000
Gross Paid in and Contributed Surplus	3,809,290
Unassigned Funds (Surplus)	<u>(953,865)</u>
Surplus as Regards Policyholders	<u>\$4,275,425</u>
Total Liabilities and Surplus	<u>\$5,720,871</u>

Statement of Income

Underwriting Income

Premiums Earned	\$1,243,641
Losses Incurred	730,149
Loss Expenses Incurred	24,413
Other Underwriting Expenses Incurred	<u>552,958</u>
Total Underwriting Deductions	<u>\$1,307,520</u>
Net Underwriting Gain/(Loss)	(\$63,879)

Investment Income

Net Investment Income Earned	214,372
Net Realized Capital Gains or (Losses)	<u>4,523</u>
Net Investment Gain or (Loss)	\$218,895

Other Income

Net Gain (Loss) from Agents' or Premium Balances Charged Off	(575)
Finance and Service Charges not Included in Premiums	31,772
Miscellaneous Other Income	<u>(141)</u>
Total Other Income	<u>\$31,056</u>
Net income before dividends to policyholders and federal income taxes	\$186,072
Federal and foreign income taxes incurred	<u>92,188</u>
Net Income	<u>\$93,884</u>

Capital and Surplus Account

Surplus as Regards Policyholders, December 31, 2003	\$4,158,717
Net Income	93,884
Change in Net Unrealized Capital Gains or (Losses)	(750)
Change in Net Deferred Income Tax	23,575
Examination Change	<u>0</u>
Net Change in Surplus as Regards Policyholders for the Year	<u>\$116,709</u>
Surplus as Regards Policyholders, December 31, 2004	<u>\$4,275,426</u>

NOTES TO THE FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

GENERAL COMMENTS AND/OR RECOMMENDATIONS

None.

SUBSEQUENT EVENT

Effective January 1, 2005, Cameron National entered into a 100% quota share reinsurance agreement with Cameron Mutual, its parent. The terms of the agreement, which has received the approval of the MDI, calls for Cameron National to cede 100% of its net liability under policies, contracts and binders of insurance in force at the effective date of the contract. The agreement also calls for Cameron Mutual to pay Cameron National a 26.5% ceding commission on premiums ceded.

The purpose of this agreement is to secure an A.M. Best rating for Cameron National to facilitate its planned expansion. Due to Cameron National's current size and limited operational experience, A.M. Best may not rate the Company as a single entity. Company management anticipates \$2 million of ceded premium to Cameron Mutual and a ceding commission of approximately \$500,000 in 2005.

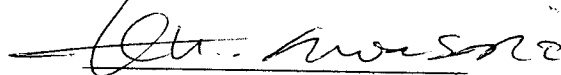
ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Cameron National Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Andy Balas, CFE, Shannon Schmoeger, CFE, and Leslie Nehring, AFE, examiners for the Missouri Department of Insurance, participated in this examination. Taylor - Walker & Associates, Incorporated of Midvale, Utah performed the actuarial portion of this examination.

VERIFICATION

State of Missouri)
)
County of)

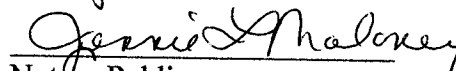
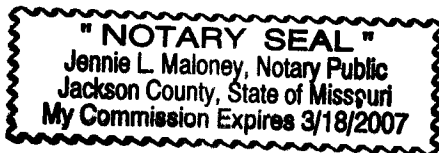
I, Levi N. Nwasoria, CPA, CFE, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.



Levi N. Nwasoria, CPA, CFE
Examiner-In-Charge
Missouri Department of Insurance

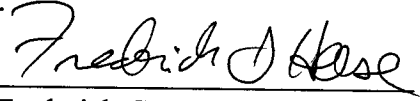
Sworn to and subscribed before me this 18th day of August, 2005.

My commission expires: 3-18-2007


Notary Public

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

A handwritten signature in cursive script, reading "Frederick G. Heese", written over a horizontal line.

Frederick G. Heese, CFE, CPA
Audit Manager

Missouri Department of Insurance